GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3086
ANSWERED ON:07.12.2001
CUTOMS DUTY CONCESSION BY DABHOL POWER COMPANY
RAVINDRA KUMAR PANDEY

Will the Minister of FINANCE be pleased to state:

(a) whether Dabhol Power Company had imported material and equipment for building liquified natural gas;

(b) if so, whether DPC has availed custom duty concession for such equipment;

(c) if so, whether custom duty concessions are given to only power plant;

(d) if so, the reasons for custom duty concession to DPC; and

(e) the action taken against the DPC for misdeclaration?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a), (b), (d) & (e) : For import of various machinery/equipments/materials for setting up of LNG facility at Dabhol, M/s. Dabhol Power Company (DPC) had claimedconcessional customs duty at the rate applicable for the power project. They had also excluded a substantial portion of service charges paid by them to overseas contractors from the customs value of imported goods. The goods were allowed to be cleared provisionally after extending the concessional power project rate of duty on the basis of recommendation of the Energy Department, Government of Maharashtra.

Detailed examination of the contentions of M/s. DPC were carried out and aShow Cause Notice was issued to them on 31.07.2001, demanding a duty of Rs.283.39 crores. The case has since been adjudicated. In his order, dated 12.11.2001, the Commissioner had held that the subject imported goods would not be entitled to concessional duty as available to a power project. Consequently, he has demanded, inter alia, additional duty for an amount of Rs.245.59 cores and has also imposed penalty of Rs.45 crores on M/s. DPC for deliberate misdeclaration of value of goods.

(c) : Customs duty concessions are available to a number of goods as specified in the Customs Tariff. Materials and equipment for initial setting up of a power plant and also for substantial expansion of an existing power plant are entitled to a concessional rate of duty under the Project Import Scheme.